Chilton's
DISTRIBUTION
VOL.83, NO.9 SEPTEMBER 1984
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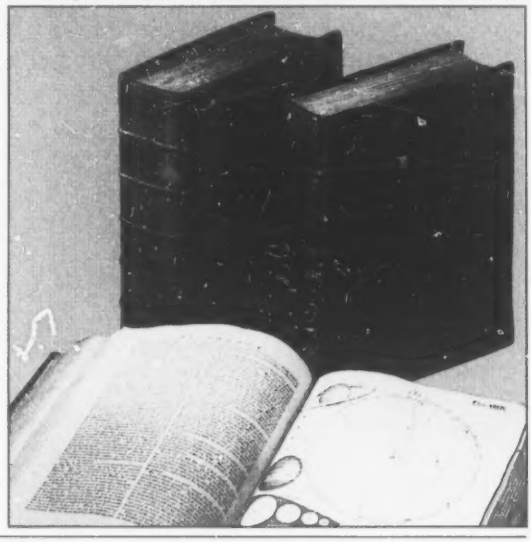

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NEXT ISSUE

Devising an international distribution strategy

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DIALOGUE

In our May issue, we asked you what was being done by your department, and by others in your company, in the area of inbound materials management, and what you felt were the principle challenges that you faced with respect to inbound freight.

From your responses, it's clear these challenges are equally abundant in two entirely different directions. First, from suppliers who too often do not give due attention to delivery instructions; and second, from both upper management and other departments within your own company, who either don't see the need for the emphasis on inbound freight, or fight with the traffic department for the right to control it.

Here are some of your remarks about the problems you've encountered in mastering the inbound side of freight management:

"Because the majority of the inbound is 'prepaid and add,' it is very hard to get a handle on the costs. We are trying to gain more control by surveying the vendors on their transportation vendors."**—Paul Robbins, traffic specialist, Celotex Corp., Tampa, Fla.**

"We are directing inbound freight charges to a collect basis and including the transportation specifications on the purchase order as well as other techniques."**—Richard Ward, manager—services, Burroughs Transportation Co., Secaucus, N.J.**

"Successful inbound routing programs involve intensive rate research, but the hardest part is getting hostile mills and vendors to adhere to the routing instructions."**—Mitch Bookbinder, traffic coordinator, National Steel Service Center, Inc., Parsippany, N.J.**

"The outbound reports up through distribution; the inbound reports up through purchasing. Each operates individually and the two rarely interface. Also, most purchasing agents believe they are transportation experts, too."**—Unsigned.**

"The biggest challenge is managing the just-in-time concept along with freight economics. Some parts or components are best supplied on a daily basis with higher freight costs. Others lend themselves to consolidation. The challenge is to find the best solution for each item."**—Thomas R. Hart, Burroughs Corp., Wayne, Mich.**

"Our purchase order shows mode and carrier, but vendors route contrary to instructions, assuming the cost is better. We debit, but harm has already been done on planned just-in-time."**—Jack J. Hanus, corporate transportation manager, Miller Electric, Appleton, Wis.**

"Getting vendors to utilize the routing directions printed on the purchase orders. Vendors tend to 'do their own thing' and keep the discounts they receive."**—Richard Johann, manager of corporate transportation, Sunstrand Corp., Rockford, Ill.**

continued

QUESTION OF THE MONTH

Most goods move in some kind of a package, so it's not surprising that packaging is in the middle of a number of hot debates between shippers and carriers.

In our Maritime column (p. 88), we discuss how Dow Chemical and the NIT League want the FMC to decide exactly what constitutes a "package" in loss-and-damage claims in foreign trade. Both want the FMC to clear up exactly what the Carriage of Goods at Sea Act (COGSA) means when it sets a limit of $500 per package. Does "package" mean a container, packages within a container, or something else?

In our Claims column (p. 74), we report that the National Freight Claim Council of the ATA wants to replace the National Motor Freight Classification packaging standards with a directive that has a "Catch 22" quality about it for shippers: It's your package, so it's your damage.

And finally, as our D&W column (p. 82) notes, the frozen food industry and the U.S. Department of Agriculture are eyeballing ways to standardize packaging and the load heights that result. One result is that frozen food manufacturers are talking with both warehousers and carriers about changing trailers and racks to better handle these loads.

Where do you as a distribution manager fit in as all these packaging questions swirl about? On the card below, please give us your current perspectives about packaging.

DIALOGUE

- Regarding packaging's relationship to claims, storage and transportation, are you called in on packaging decisions: ____always ____sometimes ____never

- Who in your company makes packaging decisions? ____packaging engineer ____marketing ____input from many areas

- Carriers say that shippers should develop packaging to withstand the normal hazards of transportation, and free carriers from proving faulty packaging. Do you: ____agree ____disagree ____don't know

- Would you like to see Federal standards that would cover packaging and claims for all modes? ____yes ____no ____don't know

- Has your company looked at standardizing case sizes? ____yes ____no ____don't know

I'd like to see these packaging developments, for these reasons:

OPTIONAL:

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

EDITORIAL STAFF

THOMAS A. FOSTER
Editor-in-Chief
(215) 964-4388

JOSEPH V. BARKS
Editor
(215) 964-4379

DENIS J. DAVIS
Senior Associate Editor
(215) 964-4385

BRUCE HEYDT
Associate Editor
(215) 964-4381

EMILY BARR
Production Manager
(215) 964-4384

BARBARA MACAK
Production Coordinator
(215) 964-4387

ROBIN GORE
Directory Coordinator
(215) 964-4391

CONTRIBUTORS

COLIN BARRETT
(703) 860-8521

STAN CHAPMAN
(202) 628-3164

KURT C. HOFFMAN
(804) 282-6213

R. LYNN HURLBERT
(602) 231-6405

JESSE C. JESSEN
(215) 444-5925

BOB JORDAN
(415) 349-7600

DR. RICHARD LANCIONI
(215) 322-5123

JEAN STRICKLAND MURPHY
(202) 628-0934

ROGER SCHREFFLER
(215) 964-4388

FRANK E. SHAFFER
(312) 934-6919

EDITORIAL ADVISORY BOARD

DR. JOSEPH L. CAVINATO
Associate Professor of Business Logistics
The Pennsylvania State University

DR. BERNARD J. LA LONDE
James J. Riley Professor of Marketing & Logistics,
Ohio State University

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Distribution, Combustion Engineering

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"Each P/A has his or her favorite carrier and will not consider recommendations based solely on cost. Upper management does not enforce traffic's recommendations, because purchasing knows where they get the service."**—Unsigned.**

"Knowledge of vendor's psychology of transportation—if they usually ship the cheapest way, use discount plans, or use irregular route carriers. Also, vendor's relationships with carriers that you may choose for your pickup."**—George S. Kastner, transportation supervisor, Stone Container Corp., Melvindale, Mich.**

"Getting our purchasing people to communicate with transportation regarding vendor changes, timing of these changes, and volume. We often hear about freight opportunities after the traffic has begun to move."**—Unsigned.**

"Getting top management to recognize inbound's importance and give responsibility to the transportation specialists in the traffic department."**—Sharon Guglielmo, traffic manager, Standard Fork & Axle Co., Inc., Montgomery, Ala.**

"Attempting to maintain an effective posture with purchasing management, and ensuring the distribution department's ability to control inbound shipments utilizing cost effective carriers and maintaining acceptable service standards."**—W.P. Bryan, division traffic manager, Baker Packers, Inc., Houston.**

"Getting the accountants and purchasing folks to identify and collect these costs in a way that can be monitored."**—Unsigned.**

GETTING A HANDLE ON INBOUND

Transportation specialist within purchasing in charge of inbound	10%
inbound specialist within t/d department in charge	46%
hybrid purchasing/transportation manager in charge	19%
Vendor handles carrier selection	25%
purchasing handles selection	25%
transportation handles selection	62%
Inbound freight arriving "freight collect"	60%
freight arriving "prepaid and add"	28%
Have seen raw materials cost reductions when controlling inbound	76%
Have passed on savings to customers	52%
Company has instituted just-in-time program	34%
has not instituted just-in-time program	38%
Company consolidates inbound traffic	44%
Inbound freight costs are very important when sourcing	49%
costs are somewhat important	32%

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DISTRIBUTION'S FORECAST

Third-quarter numbers indicate the year is winding down in more places than just the calendar.

By Dr. Richard Lancioni, Contributing Editor

GENERAL ECONOMIC INDICATORS

	3rd QTR. '84	4th QTR. FORECAST
Real GNP (trillions)	$3.680.7	$3.752
Retail Car Sales (Mil. units, annual rate)	10.6	10.5
Housing Starts (Units, annual rate)	1,777,300	1,672,300
Prime Rate (%)	13.0	13.3
Producer Price Index (quarterly change)	(–2.9%)	(–2.7%)

DISTRIBUTION's third-quarter statistical summary reflects the gradual slowdown in the economy. While growth was strong in the second and third quarters, the fourth period will reflect a slowing in the economy. Real GNP will increase by 2 percent in the fourth quarter, and slow to 1.4 percent in the first part of 1985. Retail car sales will slow only slightly and end the year at the 10.5-million level. One of the dampening factors has been the gradual rise in interest rates, which will increase to 13.3 percent by year's end, and rise in the early part of 1985. The benefit of the slowdown will be the moderating impact on prices, with inflation expected to reach only 5.3 percent by the end of 1984.

DIESEL FUEL PRICES

	JUNE '84	AUG. '84	4th QTR. FORECAST
Full-Serve	126.7	125.4	123.4
Self-Serve	114.9	113.5	112.6

Source: Household Goods Carrier Bureau

Diesel fuel prices for the fourth quarter of 1984 should begin to moderate. The reason for the decline is partly the increased production of some of the OPEC countries, notably Nigeria, which needs more revenue to finance its massive foreign debt. Both Nigeria and Iran have doubled crude oil output. Some experts have predicted that the price of full-serve could fall below $1.20 a gallon by the end of 1984, and reach $1.17/gallon by the end of the first quarter of 1985.

DISTRIBUTION INDEX
Quarterly Shipper Forecast

	CURRENT QUARTER	4th QTR. FORECAST	NET CHANGE
Truck Shipments	139.5	140.6	+1.1
Rail Shipments	125.9	124.2	(–1.7)
Air Shipments	128.4	129.5	+1.1
Water Shipments	116.6	115.9	(–0.7)
Warehouse Space Utilization	135.9	133.3	(–2.6)
Inventory Valuation	115.4	112.4	(–3.0)

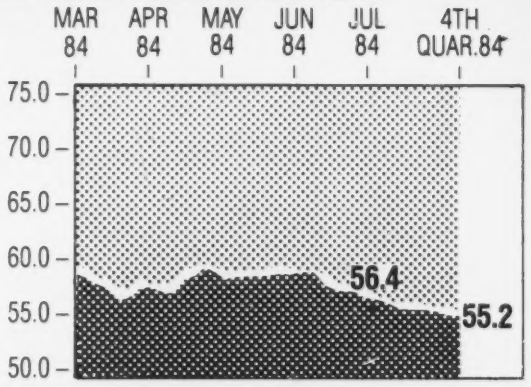
Shipper activity for the fourth quarter of 1984 will be characterized by fewer shipments, lower inventories and reduced transportation usage. Truck shipments will rise only slightly from 139.5 to 140.6, whereas rail shipments will decline from 125.9 to 124.2 in the fourth quarter. Air shipments will increase, but again only slightly. The increase continues to reflect growth in the small package overnight express business.

Water shipments will decline by 0.7 points in the fourth quarter, reflecting the small decline in bulk material shipments. Shipper interest in inventory moderation is reflected in the drop in warehouse space utilization expected in the fourth quarter.

continued

PURCHASING MANAGERS COMPOSITE INDEX

The composite index of purchasing reflects the continued decline in economic growth, with the gradual decrease in the expenditures made by firms for new plant and equipment. Inventories will continue to be pared down in the fourth quarter and in the first part of 1985.



TRANSPORTATION TONNAGE INDICES (1977=100.0)

Rail tonnage is expected to decline from a yearly high of 98.053 in June to 90.862 through the fourth quarter. This decrease reflects the decline in shipments to be made in the fourth quarter. Reduced consumer spending along with a drop in factory orders is the reason for the change. Truck tonnage will rise, but only by a small amount in the fourth quarter.

	2nd QTR. '84	3rd QTR. '84	4th QTR. FORECAST
Rail	**98.053**	**96.254**	**90.862**
Truck	**153.606**	**157.187**	**159.271**
Barge	**218.291**	**N/A**	**N/A**

Source: Data Resources Inc.

TRANSPORTATION COST INDICES (1977=100.0)

The cost of transportation will increase only moderately in the fourth quarter. This modest increase is partly because of the decline in fuel prices in the third quarter. Rail costs will increase from 184.3 in September to 185.1 in December.

	2nd QTR. '84	3rd QTR. '84	4th QTR. FORECAST
Rail	**181.1**	**184.3**	**185.1**
Truck	**167.3**	**169.6**	**171.7**
Barge	**180.6**	**183.1**	**185.1**

Source: Data Resources Inc.

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COVER STORY

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Here are case histories detailing the master plans of companies that have already made international inroads. They reveal rules every firm must live by if it is to avoid being devoured in what is now truly a dog-eat-dog world.
(Map used in cover photo compliments of the National Geographic Society)

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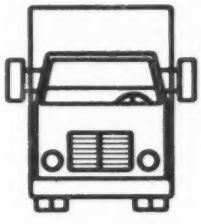
Taking inventory of distribution equipment



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DIALOGUE

Exporting can have great promise for Americam firms, but it also has a real set of hurdles—be they a labyrinth of U.S. and foreign rules and regulations, the strong dollar crushing foreign markets, or company management that is unwilling to commit to a long-term program. In short, exporting isn't easy. And when well-meaning but uninformed people blithely say that this company or that one should tap into new overseas markets and export more, they often don't know the whole story.

In June, we asked readers to tell us what people who say everyone should export more don't understand about the exporting game. Here's a sampling of the unfriendly forces our readers say they must contend with:

"Exporting is not an end in itself. Profits are the goal. With certain of our products (X-ray cassettes), the problem is they are manufactured everywhere in the developed world. Not only that, they are heavy, and exporting them just takes up more time."**—Richard Cooper, export manager, Spectronics Corporation, Westbury, N.Y.**

"It took us five years to get established and knowledgeable in this field. It takes a lot of time, money and long-term commitment to get an export program going, but sales management, as well as top management, either objected to or reneged on one of these key elements at a given point in time. In-house knowledge of international banking and transportation was not always there, and the fear of the unknown was overwhelming. Exports, as a result, were shunned. Marketing managers tend to look for immediate, short-term results and, because exports give anything but that, they take a back seat."**—Name withheld by request.**

"There are too many managers in the pot. Program people and engineers are trying to run operations, and they do not understand the ground rules. Planning and coordination is the second problem."**—Robert Lawton, traffic supervisor, LSI Avionic Systems, Florham Park, N.J.**

"[People don't understand] low profit margins because of the competition; the high financial and political risks, or the slow return on investment."**—Helga Jalkio, general traffic manager, Drake America Corp., New York.**

"Governmental food and drug regulations vary widely from country to country with respect to allowable flavorings and food colorings. This makes large scale exporting very, very difficult."**—James J. Paule, traffic manager, Spangler Candy Co., Bryan, Oh.**

"[They don't understand] logistics, timing and carrier(s). The transportation and interchange of exported and imported freight requires 'real world' planning. We can't dedicate all imports and exports to airfreight delivery."**—R.L. Sohn, industrial traffic manager, The Flexible Corp., Delaware, Oh.**

continued

QUESTION OF THE MONTH

Illegal textile imports and U.S. high-tech goods finding their way behind the Iron Curtain have the U.S. Customs Service giving these kinds of shipments very close scrutiny. And shippers, forwarders and carriers are crying foul over some of the new controls.

For example, the National Customs Brokers & Forwarders Association of America, Inc. wrote to President Reagan complaining about changes in Customs regs covering in-bond transportation entries. Initially, the new rules meant that imported textiles would be examined at the port-of-entry. The howl of protest, however, has prompted Customs to soften its stand. Now, shipments moving from the port by rail, under bond, with tamper-proof seals, will not usually be inspected at the point of arrival, but instead at destination, where it will examine visas and other shipping papers.

On the outbound side, the battle between free trade and national security keeps shippers guessing. The Pentagon is now playing a larger role in determining which products can threaten our security. And Customs, as the policeman, is keeping a closer eye on that growing list of goods.

U.S. shippers, however, complain that many items on the list are easily obtained overseas, and that delays caused by tighter controls are hurting their ability to compete. On the card below, tell us what you think about tighter Customs controls.

DIALOGUE

●Instead of new import regs, we need tighter Customs enforcement:
____Agree ____Disagree ____Don't know

●The U.S. should be more selective about the items it places under tight export control:
____Agree ____Disagree ____Don't know

●The Department of Commerce should play the lead role in overseeing exporting and controlling commodities:
____Agree ____Disagree ____Don't know

●Our allies send the Soviets high-tech goods—why not us?
____Agree ____Disagree ____Don't know

●The new regs covering textiles' in-bond transport do more harm than good:
____Agree ____Disagree ____Don't know

●National security and free trade can be balanced:
____Agree ____Disagree ____Don't know

●I am having more problems with Customs regs now:
____True ____False ____No change

My recent experience with Customs has included these problems:

_____

_____

_____

_____

_____

OPTIONAL:

_____

NAME (print) _____ TITLE _____

COMPANY _____ PHONE _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

EDITORIAL STAFF

THOMAS A. FOSTER
Editor-in-Chief
(215) 964-4388

JOSEPH V. BARKS
Editor
(215) 964-4379

DENIS J. DAVIS
Senior Associate Editor
(215) 964-4385

BRUCE HEYDT
Associate Editor
(215) 964-4381

EMILY BARR
Production Manager
(215) 964-4384

ROBIN GORE
Directory Coordinator
(215) 964-4391

CONTRIBUTORS

COLIN BARRETT
(703) 860-8521

DR. RICHARD LANCIONI
(215) 322-5123

STAN CHAPMAN
(202) 628-3164

JEAN STRICKLAND MURPHY
(202) 628-0934

KURT C. HOFFMAN
(804) 282-6213

R. LYNN HURLBERT
(602) 231-6405

ROGER SCHREFFLER
(215) 964-4388

JESSE C. JESSEN
(215) 444-5925

FRANK E. SHAFFER
(312) 934-6919

BOB JORDAN
(415) 349-7600

EDITORIAL ADVISORY BOARD

DR. JOSEPH L. CAVINATO
Associate Professor of Business Logistics
The Pennsylvania State University

DR. BERNARD J. LA LONDE
James J. Riley Professor of Marketing & Logistics,
Ohio State University

CHARLES E. MARR
Corporate Traffic Manager, Hewlett Packard

J. ROBERT MORTON
Vice President, Corporate Transportation &
Distribution, Combustion Engineering

STANLEY ROZYCKI
Operating Vice President/Transportation Logistics,
Federated Department Stores, Inc.

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Director of Corporate Transportation,
Robertshaw Controls Co.

"The strength of the U.S. dollar turns off foreign buyers."**—John P. Teschel, traffic manager, Norton Co., Akron, Oh.**

"Even carrier sales representatives know little about Canadian export procedures. They can't help us, and we need help. Sales reps from steamship companies are a real wasteland of non-information."**—Bruce Bobb, shipping manager, Texture Tex Industries.**

"The dollar is too strong for countries to buy from us. Why not another DISC program to encourage exporting? Also, sales leads from the government should be free and not by subscription."**—Guy Russo, executive vice president, Nippon Overseas Corp., New York.**

"The mechanics of setting up and maintaining international distribution and the administration of export traffic should be handled by one central department. We have too many involved."**—Glenn Cain, material and distribution manager, Auto-Trol Technology, Thornton, Colo.**

"To meet service levels needed to be competitive overseas, our transportation and inventory costs would well exceed any possible profits."**—James Smythe, distribution director, ABCON Prods., Los Angeles**

"It's simple. Our foreign competitors are better than we are in terms of quality, customer service, sales and marketing, and cost control. If you can't beat 'em, don't play the game."**—No name given, New York.**

"To really be competitive, you can't depend on exporting. You have to have plants and distribution facilities in the foreign markets. Few U.S. companies want to make this commitment."**—E.L. Myers, distribution manager, Englestadt Ltd., Chicago.**

INTERNATIONAL TRADE??????

Our biggest internal problem is a lack of expertise and training	31%
a lack of planning and coordination	25%
We don't have the time to devote to international	19%
We lack support and commitment	12%
We lack market research	12%
The biggest external barrier to our international efforts is foreign government controls and regulation	56%
logistical snags when trying to distribute overseas	19%
a lack of overseas markets	13%
U.S. controls	6%
My reaction to export trading companies as a marketing and distribution tool is that we don't know what they can do	38%
that they can't do anything that we can't do	31%
that we would lose control over customer service, etc.	13%

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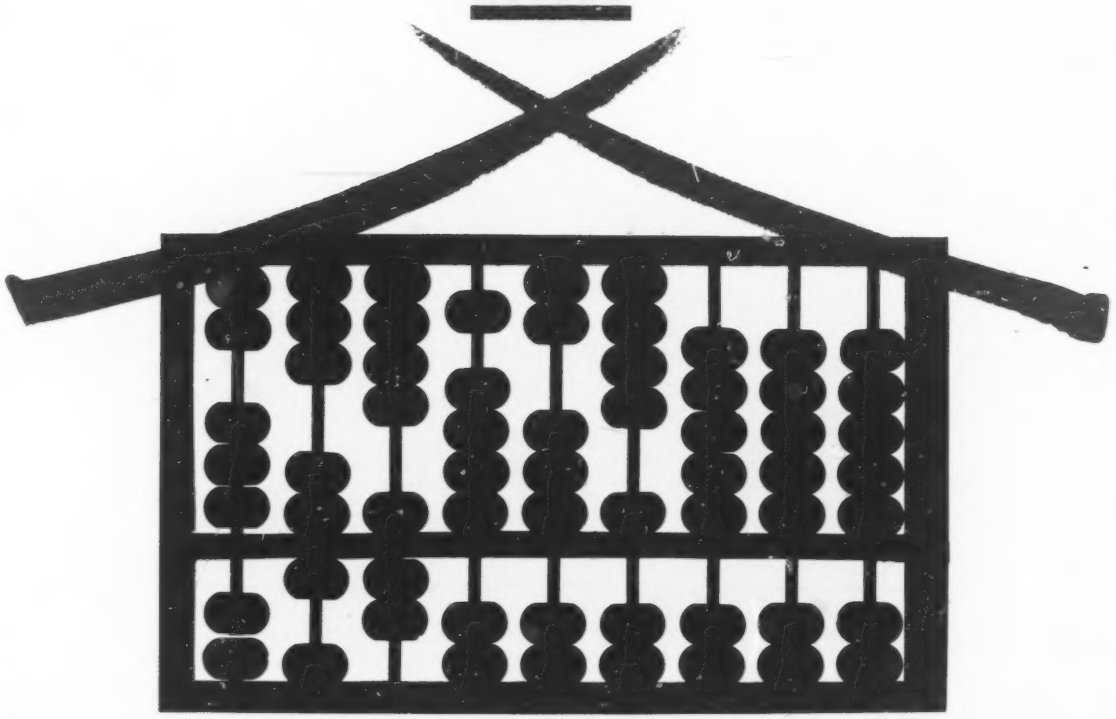
RENOVATIONS FOR JAPAN'S TRADING HOUSES



American efforts to blueprint the success of the "soga shosha" should take into account structural changes now being made to the originals.

By Roger Schreffler, Contributing Editor

They are called *soga shosha*. Their closest English equivalent is what we know as general trading houses or companies. But in point of fact, there are no organizations in the West that begin to compare with Japan's *shosha*.

For over a century, the primary purpose of the *soga shosha* has been to facilitate trade and industrial activity, both domestically and internationally. In the process, they have grown to become cornerstones of resource-poor Japan's phenomenal economic development. In the most recent Japanese fiscal year, which ended this past March, the nine largest trading houses, led by giant Mitsubishi Corp. and Mitsui & Co., had combined sales of more than $350 billion.

The future of the *shosha*, how-

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ever, is not without problems. The combined effects of worldwide recession and structural change within the Japanese domestic economy have eaten into their profit margins during the past couple of years.

Still, unlike many other types of business entities, the *sogo shosha* have a proven history of resilience. Their growing prominence in third-country or offshore trades, which today accounts for approximately 15 percent of their total sales, is a good example of this ability to bounce back from hard times. As a consequence, these companies can be expected to continue as a major force in Japan's economic future.

Recent efforts by firms such as Sears and General Electric to establish a trading company presence in the United States, coupled with the U.S. government's active support of the "ETC" (export trading company) concept, have focused long-overdue attention on Japan's general trading houses. What exactly they are, and how they operate, have become increasingly pertinent questions, as U.S.-based trading companies attempt to establish an identity of their own while expanding into new market areas.

An Active Force

"First and foremost," asserts Mark Brown of Tokyo-based International Business Information, Inc. (IBI), "trading companies are intermediaries, not only facilitating trade in a variety of products to all parts of the world, but also actively looking for and developing new sources of demand."

Brown, an industrial and high-technology analyst for IBI, adds that the basic function of the trading company is to promote trade and economic development "by taking a position between those who supply a good, and those who demand it."

As such, the *shosha* perform many of the functions of the purchasing and sales departments of typical Western firms. In addition, they offer language skills and area expertise in local trading practices and overseas business conditions.

The *soga shosha*, which employ an estimated 80,000 people worldwide, bring together such diverse fields as engineering, construction, communications, transportation and distribution, wholesaling, national resource development, marketing, and finance. And unlike the situation in Europe or the United States, many companies in Japan, in particular the smaller and medium-sized enterprises, rely upon the *shosha* to secure credit from commercial financial institutions. They undertake this service for both domestic or international business transactions. And in so doing, they become an effective buffer between smaller-sized enterprises and Japan's financial community.

Despite the extremely valuable and diverse services they provide, though, a decade of sluggish economic growth in Japan has resulted in a steady decline in the trading houses' profitability. In addition, the growth of total trading transactions has been slowed, as the nation's requirements for basic materials to fuel such labor-intensive industries as steel and shipbuilding—long mainstays of trading company business activities—have declined.

Striking at the Heart

Compounding the trading houses' concerns, major manufacturers—which at one time depended almost exclusively on the expertise and foreign contacts of the trading houses to penetrate export markets and find new sources for materials—have acquired the know-how to do the job by themselves. And this includes all matters dealing with physical distribution—freight forwarding, ware housing and ocean transportation.

As one Japanese official notes, "Physical distribution is perhaps the most important function of a trading house, for if we are late in that field, we may lose trade volume as well." Nevertheless, large and aggressive manufacturers such as Honda and Nissan, to name two, are already heavily involved in overseas markets, and are now arranging the bulk of their international physical distribution requirements by themselves.

And in the domestic sector, the level of involvement of *shosha* in transportation and distribution questions varies, depending on specific circumstances. Because of the location of its plants within Japan, Honda, for instance, relies on a subsidiary company engaged in coastal shipping to transport more than half of its domestic market requirements. It thus actually owns a fleet of vessels for its domestic market operations. Other makers rely much more on trucking.

Catch-22

Ironically, the better the job the trading houses do in terms of developing and promoting new business opportunities for major Japanese manufacturers—be they in Japan or abroad—the sooner the trading houses are likely to lose that business to the very companies and industries they have helped promote.

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Notes Hiroshi Miura, deputy general manager of the newly formed Traffic Administration Department at Mitsubishi Corp.: "To the extent that the manufacturers have developed their own efficient distribution networks, we (the trading houses) won't be able to handle their products for them. Thus, this segment of our activity will become more limited in the future.

"Unfortunately, once the manufacturers obtain the knowledge, they generally begin to import (or export) by themselves," Miura admits. "And because of that, our role has been squeezed considerably."

"Being squeezed" is the proper description for what's happening. On the one hand, there has been a growing tendency on the part of manufacturers, small and large, to deal directly with the ocean carrier industry as well as with major shoreside operators, including both warehousemen and truckers.

At the same time, Japan's domestic forwarding industry has started to penetrate the international trade sector. This has primarily been accomplished through overseas affiliates in the warehousing and air consolidation fields.

Presently, an estimated 35 Japanese firms have set up independent warehousing and trucking operations in the U.S., with by far the largest concentration being located on the West Coast. There, an estimated one-third of all port terminal operations are controlled by Japanese firms.

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In addition, there has been a growing tendency on the part of Japan's domestic freight forwarders to make use of NVO operations in the ocean transportation sector. This is also causing concern for the trading houses, which have always played a principal role in the entire physical distribution process.

An Edge for Nippon Express

Nippon Express, for example, is presently handling a growing portion of the distribution requirements for such well-known Japanese manufacturers as Canon, Victor, Bridgestone Tire, Nissan and Honda. The diversified transportation concern, possessing extensive operations in trucking and warehousing as well as in ocean and airfreight forwarding, last year reported sales of nearly $3.5 billion.

The Tokyo-based firm, which one executive likened to a "department store of transportation," has begun to promote itself as a total transportation alternative. And because of glaring inequities in the treatment of foreign firms seeking to engage in the forwarding business in Japan—foreign carriers and freight forwarders in effect are prevented from participating directly in shoreside distribution operations such as stevedoring, warehousing and trucking—a company like Nippon Express literally has the capability to engage in the "door-to-door" movement of freight in either direction between Japan and most major overseas markets. Nippon Express, for example, had 27 warehouse locations totaling 650,000 square feet in key U.S. marketplaces as of June of this year.

And unlike competitors such as Mitsubishi Warehousing or Mitsui Soko, which are tied to larger corporate groupings (the Mitsubishi Group includes—in addition to warehousing and domestic forwarding interests—banking, trading and a diversified ocean transportation operation in NYK Line), Nippon Express can promote its services as "neutral."

"Thus," explains Takashi Goto of the company's overseas division, "we have the flexibility to go after anybody's business." And Nippon Express is doing just that. In 1983, it handled an estimated 20,000 TEUs of containerized cargo, of which roughly 15 percent was consolidation or NVO business.

Goto notes that although his firm does not want to compete directly with the trading houses, it is being forced to do just that in light of recent attempts by the *shosha* to enter the small package, door-to-door market (see "In Japan, Small Shipments Hit Close to 'Home,' p. 98).

The Shosha Strike Back

Notes Toshio Suga, general manager of the overseas transport department at Marubeni Corp.: "Originally, the transportation department of a trading house was something of a go-between for the manufacturer and the shipping company." However, with Japanese freight forwarders now dealing directly with manufacturers, and in effect bypassing the trading houses, the situation has changed.

"We have to do something," Suga asserted earlier this year. "We cannot sit back anymore. We'll have to move as an NVO ourselves." Marubeni has subsequently done just that.

On March 1, the company established Overseas Transport Services, to operate as an integrated transportation and warehousing subsidiary. The firm, which is capitalized at 20 million yen (about $91,000) and staffed with five people from Marubeni's overseas transport division, was set up for the purpose of serving Marubeni's worldwide project business. It intends to provide regular shipping services, including door-to-door container transport.

Shortly following Marubeni's announcement, Toyo Menka, which traditionally has been very active in the chemical business, was reported to be seriously contemplating a similar course of action. According to sources in Tokyo, Toyo Menka can be expected to start its own NVO operation in the near future.

"These developments are all part of a general move by general trading companies into the transport-warehouse business, to provide cost-competitive transportation as part of bid packages for plant exports," notes IBI's Mark Brown. "That market has become increasingly competitive."

Looking Homeward

The Japanese domestic market may be another area where the *sogo shosha* can turn their attention. Of the more than $350 billion in business reported by Japan's nine largest *shosha* in fiscal 1983, 60 percent was in the foreign trade sector. That sector includes both import and export transactions as well as the firm's growing "offshore" or crosstrade business activities.

Domestic sales, however, are still quite significant, accounting for more than a 40 percent share overall. And in spite of the fact that the domestic sector has experienced a sharp decline as a percentage of overall business of the corporation since 1970, in terms of actual sales volume it has grown nearly 500 percent during that period.

At Mitsubishi Corp., Japan's largest trading house on a nonconsolidated basis, domestic sales have accounted for between 35 percent and 40 percent of total business in recent years. The company, which reported sales of more than $65 billion last year, is particularly strong in the domestic foodstuffs market, where it manages the nation's largest hog and chicken breeding farm.

The Mitsubishi Foods Group, which consists of some 45 food producers worldwide, accounts for slightly less than 15 percent of total corporate sales. To maintain the group's position within the overall corporate structure, the company has made efforts during the past couple of years to upgrade and expand its distribution and sales networks both overseas and in Japan.

Fish From a Catalogue

Through Diamond Seafoods Co., for instance, a Tokyo-based subsidiary engaged in the marine foods field, Mitsubishi is attempting to set up a new type of distribution network for Japan. The system, a form of nonstore retailing, is attempting to combine sales with the transportation and logistics operations of the group.

At the present time, the new system, which involves catalogue ordering, is being tested among the 10,000 or so families of employees within Mitsubishi's Japan operations. And depending on the success of this initial trial, Mitsubishi would like to broaden the service beyond the marine foods sector to other segments of its 25,000 product groups.

To date, the system has relied on the Japanese mail system for the placement of orders. However, with the launching of Japan's first cable TV satellite earlier this year, executives have begun to explore ways to introduce a more sophisticated method of communications.

One of the problems they still must overcome, though, concerns payment. Japanese consumers are only now beginning to make use of credit cards, and then generally only in major metropolitan areas such as Tokyo and Osaka. And un-

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